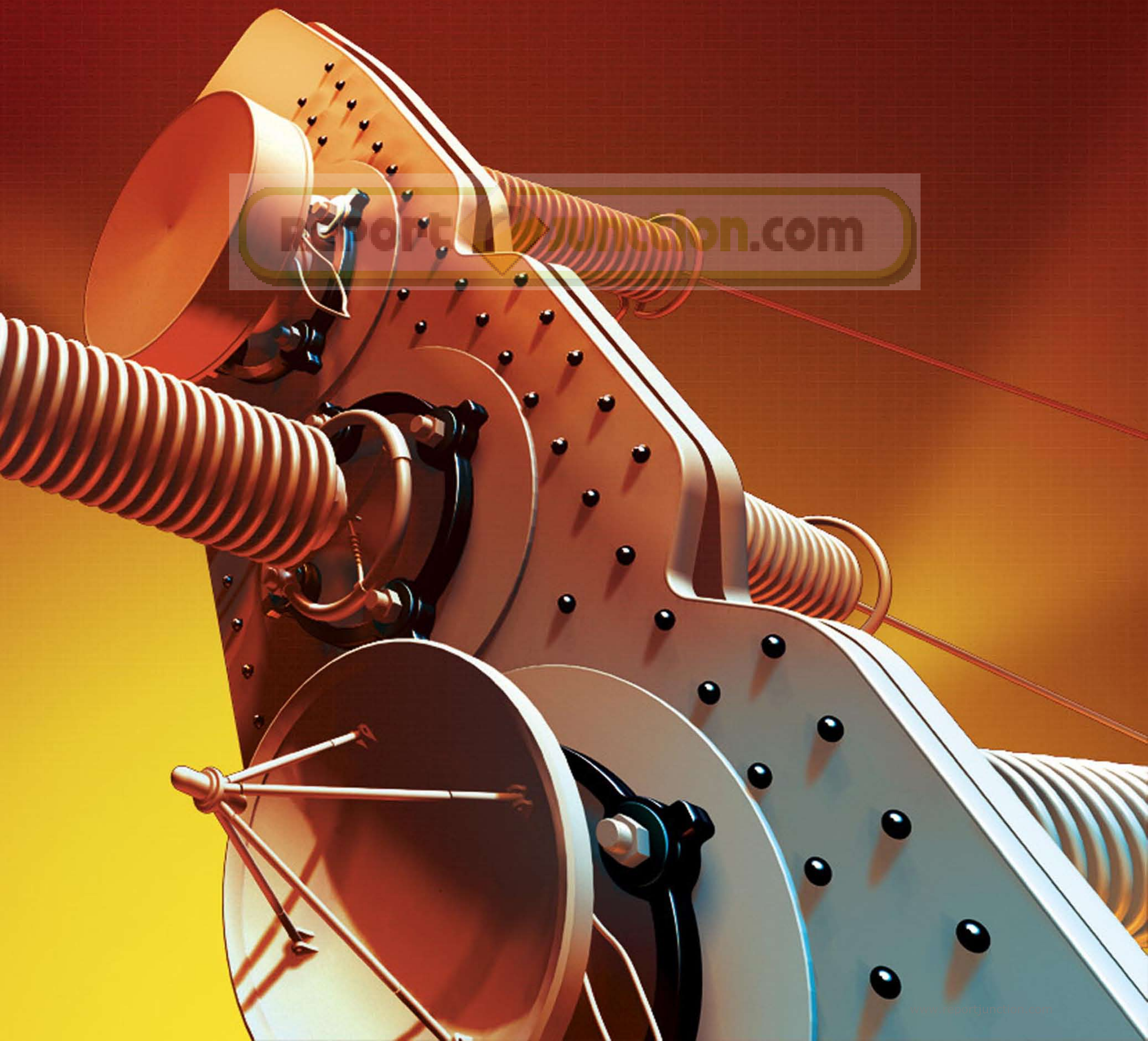




**Investing our
business with value**

SUJANA TOWERS LIMITED
ANNUAL REPORT 2007-08



reportjunction.com

BOARD OF DIRECTORS

CHAIRMAN : SHRI Y.S. CHOWDARY

MANAGING DIRECTOR : SHRI G.SRINIVASA RAJU

DIRECTORS : SHRI R.K.BIRLA
SHRI S.HANUMANTHA RAO
SHRI K.S.PUROHIT*
SHRI A.S.ANAND KUMAR*
SHRI M.V. BHASKARA RAO*
SHRI S. VENKATACHALAM*
SHRI K. RAGHAVAIAH*

*Independent, Non-Executive Directors

AUDIT COMMITTEE : SHRI A.S.ANAND KUMAR
SHRI K.S.PUROHIT
SHRI M.V.BHASKARA RAO
SHRI S.HANUMANTHA RAO

MANAGEMENT COMMITTEE : SHRI Y.S. CHOWDARY
SHRI G. SRINIVASA RAJU
SHRI S.HANUMANTHA RAO
SHRI R.K.BIRLA

SHARE TRANSFER COMMITTEE : SHRI G.SRINIVASA RAJU
SHRI S.HANUMANTHA RAO
SHRI R.K.BIRLA

SHAREHOLDERS' GRIEVANCES COMMITTEE : SHRI G.SRINIVASA RAJU
SHRI S.HANUMANTHA RAO
SHRI R.K.BIRLA

REMUNERATION COMMITTEE : SHRI A.S.ANAND KUMAR
SHRI K.S.PUROHIT
SHRI S.HANUMANTHA RAO

COMPANY SECRETARY : SHRI L. NARASIMHA RAO

AUDITORS : M/S R.SUBRAMANIAN AND COMPANY
CHARTERED ACCOUNTANTS
NO.6 (36), KRISHNASWAMY AVENUE,
LUZ, CHENNAI - 600 004.

SUJANA TOWERS LIMITED

BANKERS	:	KARNATAKA BANK LIMITED UCO BANK IDBI BANK LIMITED SBI FACTORS AND COMMERCIAL SERVICES (P) LTD.
FINANCIAL INSTITUTIONS	:	IFCI LIMITED IDBI BANK LIMITED EXIM BANK LIMITED SICOM LIMITED
REGISTERED OFFICE	:	PLOT NO.18, NAGARJUNA HILLS PANJAGUTTA, HYDERABAD - 500 082
WORKS	:	(i) PLOT NO.128/A (ii) PLOT NO.10, 11 AND 12, SY. No.172 (iii) PLOT NO.9, SY NO.172/EE, U, UU (iv) PLOT NO.158 B & C, SY NO.172/A I.D.A.BOLLARAM, JINNARAM MANDAL MEDAK DIST, A.P. (v) KHANAPUR PROJECT SY. NO. 321 TURKALA KHANAPUR VILLAGE HATNUR MANDAL MEDAK DIST. A. P.
LISTING	:	BOMBAY STOCK EXCHANGE LIMITED PHIROZE JEEJEEBHOY TOWERS DALAL STREET, MUMBAI - 400 001 NATIONAL STOCK EXCHANGE OF INDIA LIMITED EXCHANGE PLAZA, PLOT NO. C/1 G BLOCK, BANDRA-KURLA COMPLEX BANDRA (E), MUMBAI - 400 051
REGISTRAR & SHARE TRANSFER AGENTS	:	M/S BIGSHARE SERVICES PVT. LTD. G-10, LEFT WING, AMRUTHA VILLE OPP: YASHODA HOSPITAL RAJ BHAVAN ROAD, SOMAJIGUDA HYDERABAD - 500 082.

NOTICE

NOTICE is hereby given that the Second Annual General Meeting of the members of the Company will be held on Friday, the 27th day of February, 2009 at Hotel Sitara Residency, Ameerpet, Hyderabad - 500 038 at 4.00 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet of the Company as at 30th September, 2008 and the profit and loss account for the period ended 30th September, 2008 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri S. Hanumantha Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri R.K. Birla, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration. The retiring Auditors M/s R. Subramanian & Company, Chennai, are eligible for re-appointment.

SPECIAL BUSINESS

5. ***To Consider and if thought fit, to pass with or without modification(s) the following resolution as Ordinary Resolution.***

"RESOLVED that Shri S. Venkatachalam, who was appointed as an Additional Director of the Company with effect from 28.07.2008 and holds office upto the date of this Annual General Meeting of the Company, be and is hereby appointed as a Director of the Company under Section 257 of the Companies Act, 1956 who shall be liable to retire by rotation."

6. ***To Consider and if thought fit, to pass with or without modification(s) the following resolution as Ordinary Resolution.***

"RESOLVED that Shri K. Raghavaiah, who was appointed as an Additional Director of the Company with effect from 29.12.2008 and holds office upto the date of this Annual General Meeting of the Company, be and is hereby appointed as a Director of the Company under Section 257 of the Companies Act, 1956 who shall be liable to retire by rotation."

BY ORDER OF THE BOARD

PLACE: HYDERABAD
DATE : 29.01.2009

Y.S. CHOWDARY
CHAIRMAN

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES DULY STAMPED AND SIGNED MUST BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.
2. Members/Proxies are requested to bring along with them Annual Reports being sent to them.
3. The Share transfer books and Register of Members of the Company will remain closed on 26.02.2009 (one day only).
4. The Register of Directors' Shareholdings maintained under Section 307 of the Companies Act, 1956, will be available for inspection at the venue of the Annual General Meeting of the Company during the Annual General Meeting. The Register of Directors' Shareholding is also available for inspection of the Members at the registered office of the Company, fourteen days before and three days after, the date of the Annual General Meeting of the Company.
5. The registration of share transfers and other related correspondence will be dealt with by the Company at M/s. Bigshare Services Private

SUJANA TOWERS LIMITED

Limited of Mumbai, having its branch office at G-10, Left Wing, Amruta Ville, Opp: Yashoda Hospital, Raj Bhavan Road, Somajiguda, Hyderabad - 500 082.

6. Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 is enclosed.

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.5

Shri S. Venkatachalam was appointed as an Additional Director of the Company at the meeting of the Board of Directors of the Company held on 28th July, 2008, who holds office up to the date of the ensuing Annual General Meeting of the Company.

Shri S.Venkatachalam is having Bachelors Degree in Engineering from M.S. University of Baroda, Masters Degree in Industrial Engineering and Management, University of Loughborough England and Diploma in Marketing from Institute of Marketing, London. He is Fellow Member of Institute of Marketing and Member of the British Institute of Management, England. He is having 41 years of experience with leading business houses viz., (1) M.N. Dastur & Co., Richardson Cruddas Ltd., (2) Rendell Palmer & Tritton, then with Cleveland Bridge, England, (3) Lloyd Steel Industries Limited and (4) Essar Group and having Memberships/Directorships in different organizations. Thus, his presence on the Board will be highly beneficial to the Company.

Notice required under Section 257 of the Companies Act, 1956 together with the requisite deposit has been received from a member proposing the appointment of Shri. S. Venkatachalam as Director. The said notice and the Memorandum and Articles of Association of the Company are available for inspection at the Registered Office of the Company on any working day.

Therefore, your Directors recommend the resolution for your approval.

None of the Directors of the Company except Shri S. Venkatachalam is concerned or interested in the aforesaid resolution.

Item No.6

Shri K. Raghavaiah was appointed as an Additional Director of the Company at the meeting of the Board of Directors of the Company held on 29th December, 2008, who holds office up to the date of the ensuing Annual General Meeting of the Company.

Shri K. Raghavaiah is having a degree of BE(Hons) Mech. Engineering from the Govt. College of Engineering, Kakinada and is a Fellow Member of Institute of Engineers. Shri K. Raghavaiah is having more than 40 years of experience with various leading organizations. He worked with Bharat Heavy Electricals Limited (BHEL) for more than 20 years and left the organization in the capacity of DGM and he also worked with Bharat Heavy Plate & Vessels Limited (BHPVL) for 13 years and left the organization in the capacity of Managing Director to form his own Consultancy Company. Thus, his presence on the Board will be highly beneficial to the Company.

Notice required under Section 257 of the Companies Act, 1956 together with the requisite deposit has been received from a member proposing the appointment of Shri. K. Raghavaiah as Director. The said notice and the Memorandum and Articles of Association of the Company are available for inspection at the Registered Office of the Company on any working day.

Therefore, your Directors recommend the resolution for your approval.

None of the Directors of the Company except Shri K. Raghavaiah is concerned or interested in the aforesaid resolution.

BY ORDER OF THE BOARD

PLACE : HYDERABAD

DATE : 29.01.2009

Y.S. CHOWDARY

CHAIRMAN

ADDITIONAL INFORMATION

Brief profile of Shri S. Hanumantha Rao, Director, who retires by rotation and is eligible for re-election.

Shri S. Hanumantha Rao has been on the Board of Directors since 6th April, 2006.

Shri S. Hanumantha Rao is a Promoter Director of Sujana Towers Limited. He is 57 years old and has done B.Tech and he is a member of Institute of Cost and Works Accountants of India. He worked 20 years in State Bank of India and 3 years as Financial and Management Consultant. He is associated with Sujana Group from the last 12 years.

Brief profile of Shri R.K. Birla, Director, who retires by rotation and is eligible for re-election.

Shri R.K. Birla has been on the Board of Directors since 6th April, 2006.

Shri R.K. Birla is a Promoter Director of Sujana Towers Limited. He is 55 years old and did his Bachelor Degree Course in Arts and Master of Business Administration (MBA) from BITS Pilani. He has worked with Poddar Products Limited as Chief Executive for 8 years and later in the year 1992 he joined the group as Director.

DIRECTORS' REPORT

To the Members of Sujana Towers Limited,

Your Directors are pleased to place before you the Second Annual Report together with the Audited Accounts for the financial period ended 30th September, 2008 comprising of Fifteen (15) months from 01.07.2007 to 30.09.2008.

1. Company's Performance

Your Directors hereby report that the Company has achieved a turnover of Rs. 74774.32 Lakhs upto 30.09.2008.

The highlights of the financial results are as follows:

(Rupees in Lakhs)

Particulars	Financial period ended 30th September, 2008 consisting of 15 months (From 01.07.2007 to 30.09.2008)	Financial year ended 30th June, 2007 consisting of 12 months (From 04-06-2006 to 30-06-2007)
Profit before Depreciation and Interest	11553.51*	6343.47
Interest	2181.99	511.21
Depreciation	1416.48	674.52
Profit before tax	7955.04	5157.74
Provision for		
- Current tax	1152.70	560.14
- Deferred tax	2671.09**	649.14
- Fringe Benefit tax	8.14	15.36
Profit after tax	4123.11	3933.10
Dividend on CRPS	7.17	3.72
Profit carried to Balance Sheet	4115.94	3929.38

* includes previous year income of Rs. 125.39 lakhs.

** includes Rs. 615.36 lakhs of shortfall for earlier year.

2. Operations

The Company achieved a turnover of Rs. 74774.32 lakhs and earned profit after tax of Rs. 4123.11 lakhs. The Gross Block as on 30.09.2008 stood at Rs. 26434.04 lakhs and the Net Block as on 30.09.2008 stood at Rs. 21805.81 lakhs.

During the financial year, your Company had taken up several expansion programmes for its business growth both in India and abroad.

3. *Subsidiaries*

Digitech Business Systems

Your Company acquired M/s Digitech Business Systems Limited at Hong Kong as it's Wholly Owned Subsidiary (WOS) by investing an amount of US \$ 5001 towards share capital to cater the needs of the customers located at Hong Kong and other neighbouring countries.

The operations of the subsidiary company are yet to be commenced. Therefore, audited accounts, Directors' Report, Auditors' Report and other related information of M/s Digitech Business Systems Limited are not annexed as per Sec.212 of the Companies Act, 1956.

Telesuprecon Limited

Your Company had acquired 51% of the shareholdings of M/s Telesuprecon Limited, a GBL 2 Company incorporated in Mauritius. M/s Telesuprecon Limited is having its branches at (1) Blantyre, Malawi, (2) Nairobi, Kenya and (3) Lusaka, Zambia, (being converted to Branch) and in the business of providing infrastructure facilities of both telecom and transmission towers.

The Telecom Business in Africa is picking up on par with other developing countries. The telecom growth in India during last five years is expected to replicate in Africa in next five years. The penetration of telephones is about 32% and expected to reach 95% by 2012. Hence the telecom business in African Continent is growing very fast. STL is targeting this business opportunity through its subsidiary company Telesuprecon Limited. The company is in the business of turn-key-service provider to Telecom Operators in OFC, GSM/ CDMA and OSP works. Presently the company is executing telecom works in three countries; Malawi, Zambia and Kenya and planned to expand its operations into other neighbouring countries. The growth of the business is expected to go up by 60 to 70% per year and continue to achieve this growth rate in next five years and maintain profits.

As per the law prevailing in Mauritius, financial statements of M/s Telesuprecon Limited are not required to be audited. Therefore, Auditors' Report, Directors' Report and other related information of the subsidiary company are not annexed. However, consolidated financial statements with the un-audited financial statements of the subsidiary company are annexed as per Sec.212 of the Companies Act, 1956.

Sujana Transmissions Limited

Your Company incorporated Sujana Transmissions Limited at Hyderabad exclusively for the purpose of undertaking transmission business of power sector in India. The Company is participating in the tendering process of erection of transmission towers in the north eastern states of India.

The operations of the subsidiary company is yet to be commenced. Therefore, audited accounts, Directors' Report, Auditors' Report and other related information of M/s Sujana Transmissions Limited is not annexed as per Sec.212 of the Companies Act, 1956.

4. *Consolidated Financial Statements*

The Consolidated Financial Statements of the Company and its subsidiaries, prepared and presented in accordance with Accounting Standard (AS) 21, are attached to and form part of the Annual Report.

5. *Industrial Relations*

Your Directors are happy to report that the Industrial Relations have been extremely cordial at all levels throughout the year.

6. *Future Plans*

The Company is striving hard to capture the major share in the market of both telecom and transmission sector on it's own as well as through it's subsidiary companies viz., M/s. Digitech Business Systems Limited, Hong Kong, M/s. Telesuprecon Limited, Mauritius and M/s. Sujana Transmissions Limited, Hyderabad. The present trend in the market and the opportunities available in market are

analytically narrated elsewhere in this report.

7. **Directors**

Shri S. Hanumantha Rao, Director of the Company, is liable to retire by rotation in the ensuing Annual General Meeting of the Members of the Company and being eligible offers himself for re-appointment.

Shri R.K. Birla, Director of the Company, is liable to retire by rotation in the ensuing Annual General Meeting of the Members of the Company and being eligible offers himself for re-appointment.

During the year Shri S. Venkatachalam was appointed as additional director at the meeting of the Board of Directors of the Company held on 28th July, 2008, who holds office up to the date of this Annual General Meeting of the Company.

During the year Shri K. Raghavaiah was appointed as additional director at the meeting of the Board of Directors of the Company held on 29th December, 2008, who holds office up to the date of this Annual General Meeting of the Company.

Shri V.S.R. Murthy, Director (Finance) of the Company had resigned from the Board of Directors with effect from 20.01.2009 and the same was accepted by the Board at its Meeting held on 29.01.2009. The Board appreciated the services rendered by Shri V.S.R. Murthy during his tenure as Director (Finance).

8. **Directors' Responsibility Statement**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that -

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b. that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs

of the Company at the end of the financial year and of the profit or loss of the Company for that period;

- c. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d. that they have prepared the annual accounts on a going concern basis.

9. **Code of conduct**

The Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct has been posted on the Company's website. Board Members and Senior Management personnel have affirmed compliance with the Code for the financial year 2007-08. A separate declaration to this effect is made out in the Corporate Governance Report.

10. **Promoter Group Companies**

Pursuant to intimation from promoters, names of Promoters and companies comprising the "Group" as defined in the Monopolies and Restrictive Trade Practices ("MRTP") Act, 1969, have been disclosed on Page No.13 in the Annual Report.

11. **Auditors**

It is proposed to re-appoint the existing Statutory Auditors of the Company M/s R. Subramanian & Company, Chartered Accountants, Chennai for the Financial Year 2008-2009 also at a remuneration as fixed by the Board of Directors.

The Company has received letter from M/s R. Subramanian & Company, Chartered Accountants, Chennai to the effect that their appointment as Statutory Auditors, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and they are not disqualified for such appointment.

12. Personnel

Information in accordance with Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is as below:

Name	: Shri V.S.R. Murthy (*)
Designation/ Nature of Duties	: Director (Finance)
Qualifications	: M.Sc., MBA., CAIIB
Experience	: 34 Years
Remuneration	: Rs.24,00,000
Date of appointment	: 03-09-2007
Age	: 61 Years
Particulars of last employment	: Executive Director Dhanalakshmi Bank

(*) Indicates that the employee was in service for part of the year.

13. Human Resource Management

The key resource for your Company is its employees. Your Company has been able to create a favourable work environment that encourages innovation and meritocracy. Your Company has put in place a scalable recruitment and human resource management. The efforts of your Company in the area of employee management and HR practices have been proved effective in Human Resource Management.

14. Listing of Company's Securities

Your Company's shares have already been listed with the Bombay Stock Exchange Limited, Mumbai. The equity shares of your Company had been listed with National Stock Exchange of India Limited (NSE) with effect from 13th October, 2008.

15. Dematerialization of Shares

Your Company's shares have been made available for dematerialization through the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

16. Allotment of 80,00,000 convertible warrants of Rs.5/- each at a price of Rs.165/- per warrant to the Promoters' Group

In pursuance of the special resolution passed by the members of the Company in the 1st Annual General Meeting of the Company held on 04.10.2007, to issue 80,00,000 convertible warrants of Rs.5/- each at a price determined as per the provisions of SEBI (Disclosure and Investor Protection) Guidelines 2000, of Rs.165/- each to the Promoters' Group, the Company allotted 80,00,000 Convertible Warrants to the Promoters' Group on 23.10.2007. These warrants are compulsorily convertible into equity shares within a period of eighteen months from the date of allotment i.e., 23.10.2007.

25,00,000 convertible warrants out of 80,00,000 warrants had been converted into 25,00,000 equity shares of Rs.5/- each at a premium of Rs.160/- per share on 31.03.2008 and the same were listed with BSE and NSE on 22.07.2008 and 29.08.2008 respectively.

The proceeds of the issue have been utilized for the purpose for which they have been raised.

17. Issue and allotment of 8,00,000 Optionally Fully Convertible Debentures (OFCDs) of the Company to 'IFCI Limited', Hyderabad by way of Preferential Allotment.

As per the terms mentioned in Clause 8(viii) of Part II of the Scheme of Arrangement and Amalgamation, which was approved by the Hon'ble High Court of Andhra Pradesh on 10th April 2007 and which came into effect from 4th May, 2007 and in accordance with the letter Nos: HRO.E.130/2006-591 dated 25th April, 2006, HRO.E.130/2006-1693 dated 21st July, 2006, HRO.E.130/2006-1814 dated 4th August, 2006 and HRO.E.130/2007-877, dated 23rd March, 2007 received from IFCI Limited, an amount of Rs.800 lakhs is payable by the Company by way of allotment of Optionally Fully Convertible Debentures (OFCDs) redeemable in 18 months from the date of allotment of OFCDs.

In pursuance of the special resolution passed by the members of the Company in the 1st

Annual General Meeting of the Company held on 04.10.2007 and the "Prior in Principle" approval received from the Bombay Stock Exchange Limited, Mumbai for issue of said OFCDs vide its letter No. DCS/PREF/ST/PRE/1838/07-08, dated 12th October, 2007, 8,00,000 OFCDs at a face value of Rs.100/- each aggregating Rs.800 lakhs had been allotted to IFCI Limited, Hyderabad on 23.10.2007.

18. **Fixed Deposits**

The Company has not accepted any fixed deposits and the provisions of Section 58A of the Companies Act, 1956 are not applicable.

19. **Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo**

The details regarding Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo as required by section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of the particulars in the report of the Board of Directors) Rules, 1988 are given in the Annexure 1 and forms part of this report.

20. **Corporate Governance**

A detailed report on Corporate Governance has been included separately in the Annual Report. A report on Management Discussion and Analysis prepared and attached to the Directors' Report also forms part of this Annual Report.

21. **Explanations to any qualifications in Auditors' Report**

The following are the adverse remarks in the Auditors' Report dated 29.12.2008 and the Company's replies

Auditors' Comment

- ix (a) However, delays have been observed in payment of Employees Provident Fund and Employee State Insurance and Tax Deducted at Source, Income Tax in certain months.

Company's Reply

The Company has already taken necessary steps to make the payments in the stipulated time.

Auditors' Comment

- ix (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax Act, Service Tax etc., were in arrears as at 30-09-2008 for a period of more than six months from the date they became payable with the exception of the following:

Income Tax for the year 2007-08
Rs.820.20 lakhs.

Company's Reply

The Company is taking necessary steps to remit the income tax during the current year 2008-09.

22. **Acknowledgments**

The Board of Directors of the Company extends their sincere appreciation to the Government, Bankers, Financial Institutions and others for their kind support. On behalf of the Company, the Board of Directors thank the Employees for their valuable efforts and the shareholders for their undaunted faith in the Company.

BY ORDER OF THE BOARD

PLACE : HYDERABAD
DATE : 29.01.2009

Y.S. CHOWDARY
CHAIRMAN